



# City of Grand Island

Tuesday, May 25, 2004

Council Session

## Item G14

**#2004-124 - Approving Subordination Agreement for Home  
Rehabilitated with CDBG Funds**

Staff Contact: Jeri Garrouette

# **Council Agenda Memo**

**From:** Jeri Garrouette, Community Development Director

**Meeting:** May 25, 2004

**Subject:** Subordination Agreement for Home that was Rehabilitated with CBDG (Community Development Block Grant) Funds

**Item #'s:** G-14

**Presenter(s):** Jeri Garrouette, Community Development Director

## **Background**

The City of Grand Island has a real estate lien on property owned by Paul D. Allen and Jeanne E. Allen, husband and wife, 512 East 11<sup>th</sup> Street, legally described as Lot 8, Block 36, Wheeler's Addition. This lien in the amount of \$13,000. was filed on April 3, 1990 and is a result of the City's Rehabilitation Program. The owners are requesting permission to refinance their first mortgage at a lower interest rate.

## **Discussion**

The City's current real estate lien is junior in priority to a Deed of Trust to United Nebraska Bank in the amount of \$35,000. By law, the new Deed of Trust would be junior in priority to the City's lien, however, the lender, United Nebraska Bank have asked the City to subordinate its real estate lien to the new Deed of Trust.

The new appraised value of the property is \$61,000 and is sufficient to secure the refinanced loan of \$36,250 and the City's loan of \$13,000. The City's loan of \$13,000 will be paid back to the City when the property changes ownership. Approval of the proposed Subordination Agreement, placing the City in the junior position to the new Deed of Trust, is recommended.

## **Alternatives**

It appears that the Council has the following alternatives concerning the issue at hand. The Council may:

1. Approve the Subordination Agreement for Paul and Jeanne Allen
2. Disapprove or /Deny the Subordination Agreement
3. Modify the Subordination Agreement to meet the wishes of the Council
4. Table the issue

### **Recommendation**

City Administration recommends that the Council approve of the proposed Subordination Agreement, placing the City in the junior position to the new Deed of Trust.

### **Sample Motion**

Approve the Subordination Agreement for Paul D. and Jeanne E. Allen, placing the City in the junior position to the new Deed of Trust.

R E S O L U T I O N    2004-124

WHEREAS, the City of Grand Island, is the lender and secured party of a Real Estate Lien dated April 3, 1990 and recorded on September 13, 1990 as Instrument No. 90-105295 secured by property located at 512 East 11<sup>th</sup> Street and owned by Paul D. Allen and Jeanne E. Allen, husband and wife, said property being described as follows:

Lot Eight (8), Block Thirty Six (36), Wheeler's Addition to the City of Grand Island, Hall County, Nebraska.

WHEREAS, Paul D. Allen and Jeanne E. Allen, husband and wife, wish to execute a Deed of Trust and Note in the amount of \$36,250 with United Nebraska Bank to be secured by the above-described real estate; and

WHEREAS, the new lender, United Nebraska Bank, Beneficiary, wishes to extend the new loan secured by a Deed of Trust conditioned upon the City subordinating its Real Estate Liens to their lien priority; and

WHEREAS, the value of the above-described real estate is sufficient to adequately secure both loans.

WHEREAS, the requested subordination of the City's lien priority is in the best interests of all parties; and

WHEREAS, Paul D. Allen and Jeanne E. Allen, husband and wife, agreed to a Subordination Agreement with the City on February 15, 2002 pertaining to their present financing against such property; and

WHEREAS, such Subordination Agreement may be released with the approval and recording with the Hall County Register of Deeds of a subsequent Subordination Agreement.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, that the Mayor is hereby authorized and directed to execute an agreement subordinating the lien priority of the above described Real Estate Liens from Paul D. Allen and Jeanne E. Allen, husband and wife, to the City of Grand Island, as beneficiary to that of the new loan and Deed of Trust of United Nebraska Bank, Beneficiary, as more particularly set out in the subordination agreement.

BE IT FURTHER RESOLVED, that the Subordination Agreement dated February 15, 2002 and recorded on March 4, 2002 as Instrument No. 0200202425, between the City of Grand Island and Paul D. Allen and Jeanne E. Allen, husband and wife, is hereby released.

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Adopted by the City Council of the City of Grand Island, Nebraska, May 25, 2004.

Approved as to Form <input type="checkbox"/> _____ May 19, 2004 <input type="checkbox"/> City Attorney
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RaNae Edwards, City Clerk